



CITY OF  
**PORTLAND, OREGON**

**OFFICIAL  
MINUTES**

A REGULAR MEETING OF THE COUNCIL OF THE CITY OF PORTLAND, OREGON WAS HELD THIS **18TH DAY OF DECEMBER, 2002** AT 9:30 A.M.

THOSE PRESENT WERE: Mayor Katz, Presiding; Commissioners Leonard, Saltzman and Sten, 4.

OFFICERS IN ATTENDANCE: Karla Moore-Love, Clerk of the Council; Ben Walters, Senior Deputy City Attorney; and Officer Michael Frome, Sergeant at Arms.

Items No. 1474, 1479 and 1484 were pulled for discussion and on a Y-4 roll call, the balance of the Consent Agenda was adopted.

	<b>Disposition:</b>
<p style="text-align: center;"><b>COMMUNICATIONS</b></p>	
<p><b>1470</b> Request of Merrick Bonneau to address Council regarding status of settlement (Previous Agenda 1438)</p>	<b>PLACED ON FILE</b>
<p><b>1471</b> Request of Tycian G. Bonneau to address Council regarding status of settlement (Previous Agenda 1439)</p>	<b>PLACED ON FILE</b>
<p style="text-align: center;"><b>TIME CERTAIN</b></p>	
<p><b>1472 TIME CERTAIN: 9:30 AM</b> – Codify standard operating procedures between the Bureau of Development Services and its partner bureaus in the development review process (Report introduced by Mayor Katz)</p> <p><b>Motion to adopt the Report:</b> Moved by Commissioner Leonard and seconded by Commissioner Saltzman.</p> <p>(Y-4)</p>	<b>ACCEPTED</b>
<p style="text-align: center;"><b>CONSENT AGENDA – NO DISCUSSION</b></p>	
<p><b>1473</b> Accept bid of American LaFrance Northwest, to furnish three 1500 GMP Triple Combination Pumpers for \$899,730 (Purchasing Report - Bid No. 101778)</p> <p>(Y-4)</p>	<b>ACCEPTED PREPARE CONTRACT</b>

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<p><b>1474</b> Accept proposal of Motorola for 800 MHz public safety radio system for an amount not to exceed \$3.1 million (Purchasing Report ; Ordinance No. 177123)  (Y-3, Commissioner Saltzman recused himself)</p>	<p align="center"><b>ACCEPTED PREPARE CONTRACT</b></p>
<p align="center"><b>Mayor Vera Katz</b></p>	
<p><b>*1475</b> Create a new Nonrepresented classification of Employment and Development Coordinator and establish a compensation rate for the class (Ordinance)  (Y-4)</p>	<p align="center"><b>177127</b></p>
<p><b>*1476</b> Amend Intergovernmental Agreement with Multnomah and Lane Counties, the Cities of Eugene, Roseburg and Huntington, Canby Utility District and Rogue River Valley Irrigation District to pursue legal action to resolve issues of the Public Employee Retirement Board administration of PERS accounts (Ordinance; amend Contract No. 51297)  (Y-4)</p>	<p align="center"><b>177128</b></p>
<p><b>*1477</b> Authorize revenue bonds to finance various projects (Ordinance)  (Y-4)</p>	<p align="center"><b>177129</b></p>
<p><b>*1478</b> Authorize limited tax revenue bonds to refund full faith and credit obligations (Ordinance)  (Y-4)</p>	<p align="center"><b>177130</b></p>
<p><b>*1479</b> Authorize acquisition of vehicles for use by City bureaus (Ordinance)  (Y-4)</p>	<p align="center"><b>177151</b></p>
<p><b>*1480</b> Contract with Browning Shono Architects for architectural services for the ground floor renovation of the 10th and Yamhill Parking Garage (Ordinance)  (Y-4)</p>	<p align="center"><b>177131</b></p>
<p><b>*1481</b> Amend contract with Michael Willis Architects to provide consultant services for Bureau of Maintenance and Bureau of General Services, Vehicle Services master plan study (Ordinance; amend Contract No. 33279)  (Y-4)</p>	<p align="center"><b>177132</b></p>
<p><b>*1482</b> Authorize an Intergovernmental Agreement with Portland Community College for the City Workforce Training and Hiring Program (Ordinance)  (Y-4)</p>	<p align="center"><b>177133</b></p>
<p><b>*1483</b> Authorize contract with Capital Project Consultants to provide Sheltered Market Program technical assistance services to disadvantaged, minority, women and emerging small businesses (Ordinance)  (Y-4)</p>	<p align="center"><b>177134</b></p>
<p><b>1484</b> Grant a ten-year property tax exemption to Prendergast Associates for new multiple-unit housing on the block bounded by NW 9th and 10th Avenues, NW Lovejoy Street, and the Kearney walkway (Second Reading Agenda 1453)  (Y-4)</p>	<p align="center"><b>177152</b></p>

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<b>Commissioner Jim Francesconi</b>	
<p><b>*1485</b> Declare surplus property south of SE Franklin Street and authorize sale to Samuel G. Sauter (Ordinance) (Y-4)</p>	<p><b>177135</b></p>
<p><b>*1486</b> Amend Intergovernmental Agreement with the City of Milwaukie for construction of the Johnson Creek Boulevard Street Improvement Project (Ordinance; amend Contract No. 51139) (Y-4)</p>	<p><b>177136</b></p>
<p><b>*1487</b> Amend Intergovernmental Agreement with Oregon Department of Transportation and City of Milwaukie to increase the not to exceed cost of right-of-way acquisition services for Johnson Creek Boulevard Street Improvement Project (Ordinance; amend Contract 51929) (Y-4)</p>	<p><b>177137</b></p>
<p><b>*1488</b> Authorize Intergovernmental Agreement with the Oregon Department of Transportation to provide funding for construction for the Capital Highway, Vermont Street Bertha Court Improvement project (Ordinance) (Y-4)</p>	<p><b>177138</b></p>
<p><b>*1489</b> Amend agreement with Oregon Department of Transportation for Bikeway/Walkway Project connecting SW Custer Street to SW Fourth Avenue (Ordinance; amend Contract No. 51451) (Y-4)</p>	<p><b>177139</b></p>
<p><b>*1490</b> Amend Interagency Agreement with the Portland Development Commission for 2002-2003 professional and technical services for transportation improvements (Ordinance; amend contract No. 51819) (Y-4)</p>	<p><b>177140</b></p>
<p><b>*1491</b> Authorize acceptance of donation of a tract of land from Dirk and Diane Koopman, et al for property contiguous to the Marquam Nature Park (Ordinance) (Y-4)</p>	<p><b>177141</b></p>
<p><b>*1492</b> Accept donation of vacated former SE Lafayette Street from Fred Meyer Stores, Inc. and add to the inventory of Powell Park (Ordinance) (Y-4)</p>	<p><b>177142</b></p>
<p><b>*1493</b> Authorize application to the State Department of Environmental Quality for a grant in the amount of \$50,000 to test the use of street sweeping debris as cover material at local landfills (Ordinance) (Y-4)</p>	<p><b>177143</b></p>
<b>Commissioner Randy Leonard</b>	

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<p><b>*1494</b> Authorize an Intergovernmental Agreement to review and analyze amounts paid by Qwest Corporation for operating in the public right of way (Ordinance)  (Y-4)</p>	<p><b>177144</b></p>
<p><b>Commissioner Dan Saltzman</b></p>	
<p><b>*1495</b> Amend agreement with CH2M HILL for professional engineering services for the Columbia Boulevard Wastewater Treatment Plant Solids Processing Building Odor Control Project No. 6844 (Ordinance; amend Contract No. 33126)  (Y-4)</p>	<p><b>177145</b></p>
<p><b>*1496</b> Amend ordinance for real estate and environmental management services in support of capital improvement projects to increase spending authority to cover unanticipated Citywide increases in service requests (Ordinance; amend Ordinance No. 175309)  (Y-4)</p>	<p><b>177146</b></p>
<p><b>*1497</b> Amend Ordinance to change the legal descriptions for easements required for the South Airport Sanitary Trunk Sewer Project (Ordinance; amend Ordinance No. 171824)  (Y-4)</p>	<p><b>177147</b></p>
<p><b>1498</b> Amend contract with Montgomery Watson Harza Energy and Infrastructure, Inc., for an amount not to exceed \$300,000, to provide professional engineering design services and construction support for Phases II and III of the Dam 2 Tower Improvement Program (Ordinance; amend Contract No. 32984)</p>	<p><b>PASSED TO SECOND READING DECEMBER 26, 2002 AT 2:00 PM</b></p>
<p><b>Commissioner Erik Sten</b></p>	
<p><b>*1499</b> Authorize application to the Environmental Protection Agency for a grant in the amount of \$20,000 for environmental justice activities (Ordinance)  (Y-4)</p>	<p><b>177148</b></p>
<p><b>*1500</b> Authorize an agreement with Outside-In for \$36,393 for transitional housing and case management for homeless youth with HIV/AIDS and provide for payment (Ordinance)  (Y-4)</p>	<p><b>177149</b></p>
<p><b>*1501</b> Amend agreement with Neighborhood Pride Team for the Entrepreneurial Training and Trillium Artisan Programs by increasing total compensation to \$66,000 and provide for payment (Ordinance; amend Contract No. 34280)  (Y-4)</p>	<p><b>177150</b></p>

**REGULAR AGENDA**

**Mayor Vera Katz**

- \*1502** Approve adjustment to pay rate for City Auditor to equal the Commissioner pay rate (Ordinance)  
(Y-4)

**177153**

**Commissioner Erik Sten**

- \*1503** Authorize agreement with Freightliner LLC for \$199,000 to fund training opportunities for existing workers and provide for payment (Ordinance)  
(Y-4)

**177154**

At 11:20 a.m., Council adjourned.

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**WEDNESDAY, 6:00 PM, DECEMBER 18, 2002**

**DUE TO LACK OF AN AGENDA  
THERE WAS NO MEETING**

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GARY BLACKMER  
Auditor of the City of Portland

By Karla Moore-Love  
Clerk of the Council

For discussion of agenda items, please consult the following Closed Caption Transcript.

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**Closed Caption Transcript of Portland City Council Meeting**

This transcript was produced through the closed captioning process for the televised City Council broadcast.

Key: \*\*\*\*\* means unidentified speaker.

**DECEMBER 18, 2002 9:30 AM**

**Katz:** Okay, karla, please call the roll. [ roll call ]

**Katz:** Commissioner Francesconi is out on personal business. All right. Let's take communications first, and for the benefit of commissioner leonard, I think this may be the first communication we have anybody -- no more than five people coming every wednesday morning if they so choose to to communicate with the council. They have three minutes, and it's just a communication. There is no conversation afterwards, though there may be somebody saying they will follow up on it if it's within their bureau. Okay. All right. 1470.

**Item 1470.**

**Katz:** Come on up. You have three minutes.

**Merrick Bonneau:** I was just going to ask you if you could hold on a sec. My brother just showed up.

**Katz:** Okay.

**\*\*\*\*\*:** Thank you.

**Katz:** So you have three minutes and then you will have three minutes. Why don't we read the other item too.

**Katz:** Go ahead. Why don't you grab that mike. Why don't you start the time over again, karla. Go ahead. I want her to start it -- all right, go ahead.

**M. Bonneau:** We're here in good faith under brs 102-b 2, which states a person other than a lawyer's client has perpetrated a fraud upon a tribunal shall promptly reveal that fraud to the tribunal. We appeared before city council on august 22nd, 2001, to ask city council to not pass the ordinance and to set my settlement aside. First we have some new information that we did not have at that time when I first spoke to you. The first is that mr. Manlove, the city attorney who was handling the city's case, the city's position, filed a motion of partial summary judgment against my attorney basically stated that he had potentially violated 5101 and 5102, which is -- which is 5101 is the conflict of interest, the lawyer's self-interest, and 5102 is a lawyer as a witness. I'll read the last statement on bill manlove's supplemental -- it states, if this issue is sent to trial, defendants intend to call mr. Sailor as a witness. Defendant's counsel has informed mr. Say legislator and suggests his pursuit of these damages creates ethical problems. I was not informed of these ethical violations, this paperwork at the time, and turns out that my former attorney, john saylor, was obligated to get a written consent and waiver to continue to represent me because he was going to be called as a witness in my trial, and that needed to be handled before I went to a settlement conference in eugene. That was not handled. Second, mr. Manlove filed an affidavit in support of his motion for partial summary judgment. He did this in good faith, which states, he sent a letter saying that -- actually i'm not going to read it. You have it in front of you. We don't have time. You want me to read it?

**Katz:** No, watch your time.

**M. Bonneau:** Oh, okay. Finally, he sent a letter on june 29th to my former attorney, which states, your failure to comply with requirements of rule 26 is just the latest in a pattern of discovery irregularities you have committed in this case. He goes further saying, these irregularities are

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consistent with your lack of full disclosure during the criminal discovery process. Finally, your failure to comply with rule 26 prevents us from doing so. Discovery violations, dr 7109 provides that a lawyer shall not suppress any evidence -- similarly, dr 7102a-3 provides a lawyer shall not conceal or not only fail to disclose that which is a lawyer is required by law to reveal. Mr. Manlove's letter to john saylor raises a substantial question.

**Katz:** Your time is up. Can your brother continue?

**Tycian G. Bonneau:** Thank you. Mr. Manlove's letter to mr. Stater stating this was just the latest in a pattern of discovery irregularities merely solidifies mr. Manlove's obligation here. While these -- this is in regards to obligation to inform either the tribunal or the bar. While these various -- while these various opinions diverge, they share a common view that a lawyer's misconduct must be very serious before it falls within the realm of what must be reported. In other words, mere malpractice in handling a single matter probably would not qualify as malpractice, but a repeated pattern as mr. Manlove stated, of reckless or inference toward's a client's interest probably would. Also, under dr 102, that raises a substantial question as to attorneys honesty, truthfulness or fitness as a lawyer in other respects shall inform the Oregon state bar and disciplinary council. The lawyer -- a lawyer possessing privileged under section b of 102, a lawyer possessing privileged knowledge -- unprivileged knowledge of the evidence concerning another lawyer or a judge shall fully reveal fully such knowledge or evidence upon proper request of a tribunal or other authority empowered to investigate that actor conduct of a judge. Mr. Manlove did not do that. Under dr 1102, misconduct representing the acts of another, a, if a professional misconduct -- it is professional misconduct for a lawyer to violate these rules knowingly assist or induce another to do so through the acts of another, engage in conduct -- number 3, engage in conduct involving dishonesty, fraud deceit or misrepresentation. Number 4, engage in conduct that is prejudicial to the administration of justice. The acts of mr. Sather and mr. Manlove in respects to the noncandor in the presence of mr. Sather's violations by reporting that he had a pattern obligated himself to inform both the bar and the tribunal of these. Mr. Manlove made a statement that he did so in good faith on your behalf. Oregon, ors 9.460 provides that an attorney shall employ for the purpose of main tanning the course of confident to the attorney such means only as are consistent with the truth and never seek to mislead the court or jury by the artifacts of false statement.

**Katz:** Thank you.

**\*\*\*\*\*:** Thank you very much.

**Katz:** Thank you both. All right. Consent agenda item. There is a request to pull 1474. There's a request to pull 1484. Anything else from the council? All right. Anybody in the audience wanting to pull a consent agenda item for discussion?

**Katz:** 1474. 1479, and 1484. Correct?

**Moore:** Yes.

**Katz:** They were requests before so I needed to make those corrections. Anybody else in the audience wanting to pull an item for discussion? If not, let's have a vote on the consent agenda item.

**Leonard:** Aye. **Saltzman:** Aye. **Sten:** Aye.

**Katz:** Mayor votes aye. [ gavel pounded ] 1474.

**Item 1474.**

**Saltzman:** I wanted to recuse myself from this vote as I own common stock in motorola.

**Katz:** This is a report, so we can vote on it. Roll call.

**Leonard:** Aye. **Sten:** Aye.

**Katz:** Mayor votes aye. [ gavel pounded ] all right. 1479.

**Item 1479.**

**Moore:** Authorize acquisition for vehicles by use by city bureaus.



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**Leonard:** Thank you, mayor. I actually had the opportunity to meet with parks this morning over their portion of this, and I'm -- of purchasing vehicles, and I think they made the case that that made sense. I'm interested, however, in making sure that when we're purchasing vehicles we're doing that to the extent possible bureaus can share their resources, and I know sometimes that doesn't happen as well as it could in talking to parks. I'm persuaded they are engaged in doing that with other bureaus, and I want to make sure that when we are purchasing vehicles it's for a purpose that is justified in the light of the budget decision -- in light of budget decisions we have to make here.

**Katz:** All right. Would you like -- ron, why don't you come on up.

**Bergman:** Ron bergman, general services director. The actions on the police vehicles that you have before us are by and large releasing vehicles that have been leased. They were leased for either operational purposes or because of grants with time limits that then get renewed, so that there is a time limit and portion of it. So most of the vehicles are in fact replacements, but because the council authorization was a time limited authorization, we have to come back to you again when those get reupped. We do typically try to work with bureaus in terms of reusing vehicles. One of the very strong difficulties that we have particularly on police vehicles is the location of where the vehicles are stored and how they're actually used, so sharing vehicles outside the bureau ends up being difficult, particularly with the equipping of police vehicles for the police use. It's very difficult to use a nonpolice vehicle for a police purpose because of the equipment that has to be there.

**Leonard:** Has the city done an analysis of how vehicles are used by employees with respect to -- are there opportunities for em -- for instance, I use my own vehicle here, are there opportunities where that can happen and save the city money through reimbursement versus buying vehicles?

**Bergman:** We work very closely every year with bureaus in terms of their fleet size, we try to work with them in terms of -- because they're always interested in reducing their fleet interagency costs. We make suggestions to them, sometimes they're accepted, sometimes they're not. As part of the asr framework plan that was put together several years ago, the issue of sharing vehicles between bureaus was identified as a potential savings. Now, the way we're set up particularly with our field operations of the city, the maintenance yard for streets is in one place, the maintain yard for parks is someplace else, maintenance yard for water is in a third location, which doesn't allow for very good sharing, particularly on short-time usage of equipment. It was suggested we look at ways of providing either satellite locations or centralized locations where we could colocate those maintenance facilities where we could essentially share equipment and resources and people on -- between bureaus on a better basis.

**Leonard:** And has that happened?

**Bergman:** We're still investigating. We still have multiple sites. We aren't colocating, but we are looking at alternatives in terms of how to do that.

**Leonard:** Okay.

**Katz:** All right.

**Leonard:** I'm just interested in those kinds of efficiencies. Thank you.

**Katz:** Then there's the whole issue -- well, the whole issue of take-home cars that we have been monitoring, and in fact continuing to monitor that as well.

**Bergman:** Council gets a report every year of all take-home vehicles.

**Katz:** Okay.

**Leonard:** Thanks.

**Katz:** Thank you. Anybody else want to testify on this item? If not, roll call.

**Leonard:** Aye. **Saltzman:** Aye. **Sten:** Aye.

**Katz:** Mayor votes aye. [ gavel pounded ] all right. 1484.

**Item 1484.**

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**Leonard:** If I could just make an opening comment so that everybody understands where i'm coming from on this issue, in the legislature I revived tools such as this that had actually died, carried them and caused them to pass because they make sense. For example, we have a law in the state now that's -- that creates economic distress zones throughout the state. It actually failed on the senate floor, it was one of -- I was one of two democrats to vote for it. I had it reconsidered the next day, carried it, it passed and became law. The purpose of that of course was to create industry and jobs in a location that didn't have any, nor was anybody interested in going to. What we did was create a series of income tax credits and property tax credits to incentivize -- if we didn't have a program here, I would urge we adopt one. But I also think we have to balance what we are doing with tax abatement programs, the necessity of a particular project to receive a tax abatement to economically survive in the needs of schools and the county, and what the city provides in terms of services, because when we approve a tax abatement program, what we're doing is removing from the schools revenue for a period of up to ten years, in this case it is ten years. We're removing from the county revenue that they use to provide programs for -- i'm not saying this so much for the council's edification as I am for the listening audience, so they understand better what motivates me to want to discuss this -- removing dollars from programs that provide housing for example for the mentally ill, and in the city, we're removing dollars that could otherwise be spent on police and fire service. So I do -- I vote on things like this mindful of those impacts. So for me each particular abatement I think needs to be balanced and it needs to be analyzed and thought of in those terms, and understanding what I said earlier, that i'm a proponent of these kind of programs, I am, but where they make sense and where they actually provide resources where otherwise you wouldn't have resources coming to the state. So in reviewing this pdc staff report, the first thing that jumped out at me, and I want to first of all make it clear that I have told no one that i'm going to vote no on this. What i've said is I have serious questions and I want to understand the reasoning behind this particular abatement. Not -- i'm not interested in opening up the whole subject of whether or not abatements make sense. I'm there and i've been there and i've been a leader on those kinds of issues. But in this particular case, what I reviewed and what I would be interested in hearing responses to is what I saw was a project going in to an area of the city, the parole that my impression is it's not an economically depressed area. That's my first impression. Second, the size of this project is such that in the conclusions -- calculations I did based on the analysis which was sketchy, by the way, in the pdc staff report, didn't really give me a lot of information, I had to infer a lot of the numbers from numbers that were used here, this is a building that is going to cost over \$30 million to construct that we're forgiving taxes on for ten years, and the impact is such that the apartments that we're talking about in the building of which I believe there were 163, according to my calculations, these are -- I want to make sure that everybody understands that these are calculations I did, and i'm more than open to hearing if I am incorrect on these -- in my way of calculating, an apartment that would cost about \$2,000 a month with this program will be able to be rented for \$1800 a month. Actually it would be \$2,023 would rent for \$1800 a month. So the impact when you extrapolate that out in terms of the amount each year from my calculations, were 455,748 dollars per year that we're forgiving in taxes in order for that building to be constructed. So the analysis that I do after that is taking \$455,748 off the table for schools, the county and the city, more important because it allows people who otherwise would spend \$2,023 for an apartment to be able to rent that apartment for \$1800 a month. I'm having a hard time getting there. So I went through this upside down and sideways before I raised the issue with you the other way to hopefully find something that showed that this made more sense than what it does to me at first blush. I need to say one last thing. I hope nobody ever thought that I ran on -- to be elected here in order to create more business for business. That wasn't my position. My position was to make this a city that -- that is easier to do business in so that we create more jobs and expand our tax base, because I

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see that as the tool in helping schools, which I know we all believe in, and in helping provide for essential services. This does not do that. This project does not do that. At first blush. And I am open to hearing if i'm wrong about that. If somehow i'm not connecting the dots on that.

**Katz:** Okay. Thanks, commissioner. All right. Who wants -- who's here to comment -- come and talk to us? Come on up. We have three chairs. Is there staff first? Let's do staff presentation first. Pdc and bhc and planning. You heard the issues, let's hear the response. Who wants to start?

**Barbara Sack, Bureau of Planning:** I'm barbara, from the bureau of planning. I was just going to present the facts of the case. Mike is here also from the bureau of planning to address larger issues that have to do with the property tax abatement programs, and komi did the financial analysis.

**Katz:** Let's do this. Let's have mike do the big picture, and then come down to this particular case, okay?

**Mike Saba, Bureau of Planning:** Thank you, mayor. Good morning, commissioners. These issues arise frequently, I think council members and even members of the state legislature bring up these issues about how we use forgone revenue. We actually as a city periodically revise, relook, reconsider how we implement our various tax exception programs. For example, this program that's available in the central city in the pearl district is also available in lents due to its designation as an urban renewal area. Lents neighborhood also is eligible for the new single family construction program, a program we use for first-time moderate income home buyers. It's also available for the nonprofit low-income rental tax exemption program, available in various areas of the city as long as the ownership is nonprofit.

**Leonard:** Can I interject in if this project was going into lents I wouldn't discuss it. I would just vote yes. So you understand better where i'm coming from.

**Saba:** In projects like cooper street townhouses, which was a lower income condo project. My point is that the programs are complicated, we have an abundance of them, we use this tool not only for economic development and housing, but community development goals. And this is a subject that's complex enough that we're not certainly going to work it out here, but it's something the planning commission has begun to discuss in a work session they had last night which commissioner leonard's staff was attending. So these are issues they raised. I would only point out on this particular case, although it was a split vote in terms of the recommendation for approval on the pearl block, all the planning commission members acknowledge that this project met the current policy and program criteria under this program as written. We would gladly relook at this if council directs planning bureau to revise any of the policy directives or program criteria on this specific program.

**Katz:** I think mike, and I told this to commissioner leonard, I think pdc commissioners are looking at ten-year tax abatement versus a shorter period of time.

\*\*\*\*\*: Which they adopted last week.

**Katz:** Okay.

**Sack:** The basic facts of the case, this is a 163-unit apartment project. It's just south of the new lovejoy ramp. It's a ten-story building. It will have 11,000 square feet of ground floor retail and 168 parking spaces. This will be sort of an l-shaped building and the entrance will be at the apex. This property exceeds the unit density required by the hoyt street properties development agreement, and the property is receiving no other subsidy from the city. The Portland city code chapter 3.104 permits the granting of a limited ten-year property tax exemption for newly constructed rental or condo multifamily projects within the central city or designated urban renewal areas. This exemption applies to the improvement only, it doesn't apply to the land. And the value of the land may go up if a project is put on it. The Portland development commission approved this property tax exemption on october 9th of 2002. The Portland planning commission approved the exemption on october 22nd the vote was 5-2 on this --

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**Leonard:** Could you tell us why the vote -- the two voted no? What was the reason they gave?

**Sack:** There were some concerns about whether you needed a property tax exemption for a project in the pearl district. They saw that as an up and coming district and they were uncertain whether or not the project actually needed an abatement. There was also some discussion about whether the ground floor retail space should get a property tax exemption. Because also it's in a desirable neighborhood. So -- but there was a vote on that issue, but that failed.

**Leonard:** Thanks.

**Sack:** So those were the concerns of the planning commission, although they agreed this does meet the policy. The most important city policy that this project supports is the addition of 1500 new housing units in the central city. City of Portland's worked very hard to get a lot of new housing downtown, and this project, although it's not deeply affordable, supports that. Most of the units in this project are affordable to what are called middle income people. The median family income range of the affordability of the units ranges from 95% of median family income to 159% of median family income.

**Leonard:** And what are those dollars?

**Sack:** Rent dollars?

**Leonard:** No, income dollars.

**Saba:** I didn't bring the range. The current median income for a family of four is \$57,200. That income is adjusted by family size, so I don't have that in front of me. I'll get that to you later.

**Sack:** 106 of the units, 106 out of the 163 units are affordable to households at 126% of median family income. So that gives you an idea of the range.

**Sten:** What are the rents? Do you have the actual rents?

**Sack:** Yeah.

**Katz:** They're in the report?

**Sack:** Yeah.

**Leonard:** They're actually not in the report. You have to infer that information from the report.

**Sack:** There's some --

**Leonard:** At least that I saw.

**Saltzman:** No, there's exhibit 4 that has average rents.

**Katz:** Let's go on -- are you complete?

**Sack:** Unless you want me to read the rents.

**Katz:** Go ahead.

**Sack:** For the studios, the rents are \$948 a month. For the one-bedrooms, \$1,355. And for the two-bowed room units, they're \$2 thousand, 044. This is what the rents would be if the property tax exemption was granted. They would be 30% higher if it was not granted.

**Katz:** Go ahead. Identify yourself for the record.

**Komi Kalevor, Finance Coordinator, Portland Development Commission:** My name is komi, i'm a finance coordinator at the Portland development commission. The code authorizes pdc to review this application for economic disability and do it within city days. 60 days is not a lot of time to do the kind of underwriting with doe on deals that have direct pdc assistance. With that said, of the four tax abatement applications we saw this year, this is the most efficient, meaning the -- they are using the most of their money for the construction of the structure itself, the real estate. They're upgrading asbestos, as stated, actually less than 20% of the total of the effective gross income. There are three others that were much higher this year. Three test that's we do at pdc, we look at the rents proposed, and those rents that barbara was just talking about are actually speculated, the market is not there yet. I think the rents as proposed are assuming about \$1.70 per square foot. The market today is at \$1.38 per square foot. So to your comment about \$2,000, what

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is being subsidized, who can pay \$2,000 a month are actually paying 18. They may not get when it the project comes online.

**Leonard:** Excuse me. Could I ask you a question? Did you write this staff report?

**Kalevor:** I wrote the economic feasibility aspect of the staff report. I'm not sure if you got the full report.

**Leonard:** I have whatever we were given, report 0264. It says --

**Saba:** That should be the resolution from pdc that was passed as part of exhibit 4.

**Kalevor:** There are exhibits that are actually details --

**Leonard:** What I'm looking at says that -- and in this report says that there are 163 apartments that receive an average abatement of \$233 apartment. That comes from the report, which in my calculation comes out to \$455,748 a year.

**Kalevor:** I think that's -- let me go a little bit into that. We look at three tests. The first test is the projects as submitted, paying property taxes. When you do that, what we realize is because this particular deal does not have any public subsidy besides tax abatement, the developer has invested quite a bit of money. You're talking about a \$30 million deal, the developer has invested about 7 million. If you look at 7 million as the initial investment, which is like just picture it as a hole you've dug yourself, you need an income stream over ten years to sort of get you out of that hole. So you've got 7 million, if you're returning 700,000 a year, that's 10%.

**Leonard:** I understand that.

**Kalevor :** The marketplace is not there to make that kind of return.

**Leonard:** That's what I want to get to. I was hoping somewhere in this long discussion you were going to get there. You do an analysis that looks at what the economic viability of a particular project is with respect to what is happening around round it, immediately adjacent to it. In other words, for me, the standard has to be that this project can't happen without this abatement because of the -- what is going on around it being the best gauge. In other words, what are rents, what is the income level of people that are living in the pearl, how am I to be persuaded that this abatement makes more sense than not giving it, and having a project built. In other words, do you ask that -- do you ask the question, will this be built without the abatement?

**Kalevor:** Yes. I think going in one thing to keep in mind is market rate is not synonymous with financial feasibility. Something could be market rate and still not make financial sense. I know that's hard to deal with, but when we look at the rents as proposed, this project was returning a negative return, negative three.

**Leonard:** Based on what information? Based on your information?

**Kalevor:** Based on the development costs, the percent of development costs going to the real estate because of all the requirements, you know. It's a very expensive building. It's I think over \$100 a square foot hard construction costs.

**Leonard:** Are these figure that's are presented to you by the developer or --

**Kalevor:** Correct. But we test them against our portfolio. We negotiate with the developers, things we think are high we go back and forth until we get to a point where we think this fits. Mind you, we're working within a 60-day window that we have. So you can't verify everything. Interest rate, loan amounts, developer contribution. But ballpark, we look at this and it was returning a negative three rate of return for the developer without abatement.

**Katz:** It's in exhibit 4.

**Kalevor:** Right. With abatement it's returning a 7.35%.

**Katz:** Scenario two. Take a look at exhibit 4, financial information. I think that's what you're referencing.

**Kalevor:** Yes.

**Katz:** 15-year period without tax abatement. Cash flow summaries.

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**Leonard:** And then what I would also like to ask, if you determine that if we assume that that analysis is correct, and you determine that particular project is not economically viable without the abatement, do you consider what the property could be used for that would be economically viable and what contribute to the tax base? Is that part of your analysis?

**Kalevor:** It's typically what an appraiser would do for us. If these deals had direct pdc financial assistance, we have longer than 60 days to actually complete our financial review. In that case we have an appraiser that would determine the highest and best use. Clearly we know office space in that area, it's not -- it's not returning the kind of income. So housing is the engine in that area, we know that. But I want to really mention one last thing. The third piece of the test we do is look at what represent would have to be to return -- make a workable rate of return for the developer, and that may be what you are referring to about subsidizing the rents. Things to keep in mind is proposed rents that are 90 to 150% of median are actually speculating, the marketplace is more like 138 -- \$1.38 a square foot. Projection is \$1.70 a square foot. We're talking even higher than that, to maybe \$2 a square foot or more. As hard as the pearl district is, it's not there yet. And -- that's the thinking behind the need for abatement.

**Leonard:** I guess the question for me, on one end you said one of the rents was \$950, and assuming this is about a 10% savings --

**Kalevor:** 13%, yes.

**Leonard:** The rent would be about \$1,050. The question would have to be, does that \$100 make a difference as to whether or not somebody rents that particular studio? And then therefore justify this abatement.

**Kalevor:** Okay. Without the benefit of an appraisal, it's hard to tell. However, we do know where the market is today. Which is what -- less than \$1.40 a square foot. We're projecting at the \$1.70 a square foot. Without abatement we're going to be at \$2 a square foot.

**Leonard:** When you say the market, how do you define that for this project? What is the market that you compare to?

**Kalevor:** We look at, is this thing -- is this projects that we actually have an appraisal in hand and actually reports.

**Leonard:** But where?

**Kalevor:** In the river district area. There are some projects downtown that have direct pdc assistance. We are constrained by the 60-day window to review this. And like I said, definitive answer to your question would be an appraisal with comparable and actual rates. We don't have that in this case. However, we do compare it with our portfolio and come to a reasoning where this project is.

**Katz:** Okay. Let's bring the -- I think we have the developers here, and we can ask them the same question. Come on up. You heard all the questions. Who wants to start responding to them? Identify yourself for the record.

**Pat Prendergast, Prendergast and Associates:** I'm the developer of this particular building, but I was also the original developer of the hoyt street yards. I think segue off the -- off your comments, commissioner, you have to put this project in context to its area and why that area is now doing well. You go back to 1992 when the council adopted the river district plan, it was largely centered on our land, which was 40 blighted blocks which were contaminated by largely diesel fuel from 100 years of refueling trains.

**Leonard:** I'm well aware of that and that history.

**Prendergast:** There was drug, homeless, crime, all those things. I think there's another photograph there of what it looked like in 1990. In '92 we adopted a plan with a city and public-private partnership. Implicit in that was that if the city did certain things in that district, that the major landowner would change its zoning from a commercial zone to a high-density residential zone.

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Which was one of the city's housing goals, to get 15,000 people into the city. New residents. And so in order to do that, there had to be a range of tools offered. I've been developing in Portland for 30 years, this is the only project we've ever asked for tax exemption on. And we built the first affordable unit next door before any major buildings were constructed down there. It's 200 units, 199, at 50% of median income. It's directly east of the new Jamison Square, which was also donated by the development company. The land for it for the park. The developer was required to change the zoning but also was required to put minimum densities on blocks as the city did certain things, like the streetcar, bring down Lovejoy Ramp, fix Naito Parkway, et cetera. All of which the city has done. We've got a great development commission, we've got a fabulous downtown now. But if you go back to '92 and look at the goals that were established, two principle goals were housing and mixed income. They wanted to make sure that council at that time that it didn't just become for the upper middle class. And so it was required as we did these zone changes, and these density increases, which by the way had never been achieved in Portland on a sustained basis in its history, that it reflected the demographics of the city from a financial standpoint and the housing stock, and income levels, et cetera. And so I can't remember specifically, but I think it was approximately 23% of the units had to be affordable at less than 50% of median income. At build-out. So that goal is being met. I think it may have already been met, I'm not positive. But it's close. And it happened before the successes that you've seen down there occurred. And so this property is flanked by two affordable units in the mixed income goal, mixed neighborhood, mixed use, is all being met down there. So if you look at it as a snapshot today and you don't put 90 context to the promises and the agreements that were played in 1992 by the council and by other bureaus in the city, it does look a little out of context in terms of the type of unit we're building. Let me briefly touch on the economics. An 8% return on a spec of investment -- on a speculative investment is marginal at best. And that's based on a dollar 70 a foot being achieved which has not been achieved in the central city before. And certainly not in the suburbs. The construction cost development costs are extensive when you build in the urban environment and you build to 163 units per acre. Structured parking, the type of structure, the codes, et cetera.. Land cost. So with the small return, we still have to try and see if we can hit a dollar 70. There are people that have -- that will go after us that will need even higher rents to justify or rationalize doing affordable market rate units in the urban scene. So it's a complex issue, it runs to helping congestion, air quality, the urban growth boundary comes into play, it's a huge issue, and you've centered on one little slice of it. So I think I would urge you to put 90 context with where we started, what's been accomplished, and the incredible tax base that's been created down there. This is -- I don't recall that a market rate urban apartment has been built in this city in my 30 years of development without subsidy. I don't know of any. And the reason for that is they don't work. It doesn't justify the capital investment.

\*\*\*\*\*: I don't know what the protocol is. Can you ask questions?

**Katz:** Sure.

**Leonard:** First of all, I appreciate that historical analysis, but I remember it. I grew up here, and were I on the council at that time I would have certainly heard people absolutely would have supported 100% targeted tax abatement, because those were high risks -- high-risk investment and I understand that. I'm not sure what you mean by promises that were made, if you're suggesting that prior councils promise that all projects in the future even those that were unknown and not on the planning board would receive those abatements, if that's what you're suggesting.

**Prendergast:** The only project that has gotten tax abatement, there's only one in the river district so far that's market rate, just one of all the buildings that have been constructed, there's one 125-unit apartment --

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**Leonard:** I guess i'm asking, were you suggesting by the comment that the promises made at that time were a promise that meant that all projects within the pearl from that point forward would be tax abated?

**Prendergast:** There was never a promise that there would be tax abatement unless it met the criteria, for starters. And secondly, it had to fit into this matrix of affordability and the mirroring the demographics in Portland as well, and the density issue. There were a lot of things that had to happen. Plus the developer had to put in an extraordinary amount to support the streetcar investment, had to give park land for free, had to achieve these densities. It was not a deal where somebody said, we'll give you tax abatement if you do these things. There were financial incentives.

**Leonard:** Is there a point at which even from your perspective that you would say just -- this -- this would be from your perspective, that the pearl has reached a point of economic prosperity where it can succeed on its own without subsidies?

**Prendergast:** I'd like to reframe your question just a little bit and make sure I understand it.

**Leonard:** Are you a lawyer? [ laughter ]

**Prendergast:** Are you talking about market rate amounts or tax abatement in general?

**Leonard:** I'm saying in general. In general do you -- are you --

**Prendergast:** No.

**Leonard:** No what?

**Prendergast:** You can't reach a point where tax abatement is not a tool down there, because you still want to achieve affordable units going forward, and there's a lot more land to develop out at hoyt street yards and other properties that are not directly related to the development agreement that was signed with the city regarding these issues. So no tax abatement -- on an ongoing basis it will be a very important tool.

**Leonard:** Why wouldn't that same argument be as applicable to somebody that was building a single family dwelling on the east side in a struggling area? Why couldn't that argument be made in terms of abating taxes on that single family resident in a struggling area? That you're making.

**Prendergast:** It might be able to be made. It's not exclusive to the river district by any means. As I mentioned, the only market rate building that's been built is one down there. So that feature has not been used. Until recently.

**Sten:** I'm not -- this is a pretty complex subject, and I think tax abatements are tools that are used well or not. And there's been a lot of debate whether it's good or bad. We do abate taxes on single family homes that are majorly reconstructed or built new in distressed areas. Last year the council adopted a huge revision to that that I pushed for very hard, because in the '90s we abated tax on any single family home in inner northeast or outer southeast, and last year I really felt that we needed to revise it so that there was an income cap on it. Because ten years ago I thought -- we were in a position with 2,000 homes -- almost any home being fixed up, and that's not happening. You're abating taxes for ten years you weren't going to get. Now I just don't think in inner northeast you can justify saying --

**Leonard:** That's the question i'm asking here.

**Sten:** But we do do out single family homes, though we have scaled it back.

**Leonard:** And I appreciate that comment, because that gets right to the nature of what i'm asking here.

**Katz:** All right. Let's continue and then --

**Sten:** Could I ask one question?

**Katz:** Go ahead.



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**Sten:** What's your sense of if this wasn't on the books, I think a lot for me of the issue is giving people clear certainty, is something there or not there, if you didn't believe the tax abatement is placed, what would you have built on the land?

**\*\*\*\*\*:** Well --

**Sten:** Would you build the same scale or would you build something different?

**Prendergast:** The zoning allows for other uses, primarily commercial uses. You could do office, is the -- is probably the most dominant use if you didn't do housing. But remember the hoyt street properties --

**Sten:** Less dense housing as well.

**Prendergast:** But there's a requirement with the development agreement with the city that was -- goes back to the original --

**Katz:** There was a requirement --

**Prendergast:** That you build 100 units per block on average. It's not -- you can aggregate them, but you still have to build them. So we built 200 units next door when we were required to build 85. The requirement ratchets up from 85 to 125 at build-out, depending on these issues that the city needs to meet, which they've done. So office would be a use that we could on this particular block we could probably put because we've met some of our achievement next door. But you would put us in an economic environment that is unfavorable. There's excess office space and it looks like there's a four or five-year supply of excess office space.

**Katz:** All right. Let's jump to the first --

**Homer Williams:** I'm homer williams, 1325 northwest flanders. I think first of all, it's a tool. It's not a right. And I think that like all tools, it does need to be revisited on a continual basis. I do think some predictability from the development side would be an important aspect of that. Also, it's not -- the thing that concerns me -- first of all I do believe it should be phased out over time if the economics are such that it's not required, which means we'd have to determine some kind of base minimum as a return. I think any developer is willing to open up their books and I think they should have to if they have a subsidy. I think abatement is a subsidy. But right now both pat or bob are pioneering with a different type of construction, and this is important, because that \$100 a foot, it costs over \$100 a foot to build any concrete building. I don't care if it's -- and we can -- you have numbers from affordable housing projects like reach and that type of thing, because the basic cost of the building doesn't change, other than just finishes and maybe the skin. But your core building is going to cost you that. Wood frame buildings that won't stand the test of time can be built at a less expensive basis. So in order to get the kind of rents you need in a concrete building, then you have to break through any market that's been here yet, and as an example, in north macadam, to reach our densities in heights there, as you break through these different height levels, your costs continue to escalate. So we're going to be in the 220, 225 a foot, which we're talking serious numbers here right now. But the bottom line is, it is a fool but it should be used for different things.

Not only getting different income levels in, also improving the quality of the type of buildings. Because if you look at the affordable buildings in hoyt now, they're class a building. They're expensive, but they're going to be there 50 or 60 or 70 years from now. And that won't be true of the wood frame buildings.

**Katz:** You can't get the height on the wood frame.

**Williams:** No. You're stuck at five.

**Katz:** Five stories.

**Bob Gerding:** Bob gerding. All high-rise market rate housing is very high risk. It just flat is, because none of the rents that are required to subsidize it or to make it break even have been achieved yet. So when we talk about risk here, and we were talking to people from pdc, there is total independent evidence out there from property management companies from appraisal

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companies, and so on, that list all of the rents of all of the apartments in Portland. So you can find out what they -- what the highest rents are and the best apartments in town and you'll find that. In -- you'll find in order to break even, not make any money on a high-rise apartment, you will have to have higher rents than those units. So that is taking that risk. He's believing that the pearl district has enough quality to it and enough attraction to it that there will be people who will be willing to come there and pay rents that are higher than the market right now. We're in the same position. We've been looking for almost three years at a large apartment building, 244 units, and it will be coming before the planning commission in the next month. The same question will arise, and we're looking at those same rent ranges or higher in order to make that project return 8% to the investors. It's not a good return on a speculative investment, but it's part of a commitment that we have to providing a mixed use project, providing housing within it, and for rent housing in the pearl district that covers all income ranges. In the project that we're completing, we will end up with a ratio of about nine to one in property that is on the property tax rolls about 235 million dollars versus potentially 35 million that has a tax abatement. Now, I know about --

**Leonard:** In the pearl itself?

**Gerding:** No, this is in the brewery blocks itself.

**\*\*\*\*\*:** Which is in the pearl district.

**Gerding:** This was not even planned, this project wasn't even on anyone's radar. So -- when the river district was created. The issue I guess for us is that to build a high-rise building from the ground up takes a couple of years. Right now we have over \$12 million invested in the apartment building in the garage underneath it and its foundations, and our performance -- we back into our pro form as based upon what it's going to cost. And we are going to have to charge rents that have not yet been achieved in Portland with the abatement. Now, if in fact we are so fortunate to be able to charge more rent than we are anticipating, then over time it seems to me there could be a formula to reexamine the abatement process and say, okay, your returns are going up because, gee, people are paying \$2 a foot, and you were projecting \$1.80. And so your returns are now exceeding this -- a level that we would have subsidized before with abatement. And reduce the abatement or eliminate it. It's not -- it's ten years in the first place, and when lenders look at these projects, these are 100-year building and they look at their 30-year mortgages, and they are anticipating that by ten years, your rents will be high enough to support the property on the property tax rolls. If it occurred sooner and there was a mechanism to look at that, our books are open. You can look at them. Then I would say you could cut the abatement sooner. I would also volunteer that I would be happy to share any of our numbers with the council or any staff so that you can see the detailed actual costs of these things, the investment involved, and the returns and the risk involved in the rents that we're trying to achieve. Thank you.

**Katz:** Okay. Further questions? Anybody else want to testify? If not, roll call.

**Leonard:** Let me just say a couple things. I hope i'm not going to be one to talk a lot before I vote. I hope you have a little patience with me on this.

**Sten:** Talk as long as you need.

**Katz:** Let me just say there are no limitations.

**Leonard:** Okay. Except those self-imposed. I'm going to work on that. After serving ten years in the Oregon legislature, my frame of mind is such, and especially honed over this past year with five special sessions after a gut-wrenching regular session of making decisions like, okay, today do we lay off a cop or eliminate a program that keeps elderly in their homes so they don't have to go to nursing homes, or do we eliminate the program that keeps kids safe out of dysfunctional homes. We're going to do one of them, which one are we going to do? And then we had down there been the object of, as i'm sure you have, intense lobbying by the school supporters to do more to come up with funding for k-12. And as i've always said, that's part of the education picture for me. The

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other part is community colleges and universities. They have to be affordable and we have to have classroom size that's allow kids to get the attention they need to advance to a university. So when I look at a decision like this, as I said, it isn't for me carte blanche no, it would be -- it would be not doing anybody a service to just say no to tax abatements, and I understand that. But -- and I also understand i'm coming in late on this process, on this building, and I appreciate that. And i'm sensitive to that. And I also understand by asking these questions i've assumed the responsibility of future projects, finding out more about. But I would ask the pdc or any other public entity that's involved in this to -- that let me know these are going to be my concerns, that please identify them early and please come in and meet with me early on these projects so I can ask these questions in private as opposed to having to ask them here. I also would want the council to consider, for an example, on buildings that we have provided abatements to, to go back and audit them. What is happening in a given building that we've given an abatement to that at the time we were given some projected analysis for, and actually look at what is happening. And I don't know that that's not happening. I don't know whether it is or not. But if it isn't, it's something I would like to -- that would help me understand better that this project makes sense, and I certainly want to acknowledge homer williams' argument that these things should have a time certain that they stop. I think that is commissioner -- as commissioner Sten said, at irvington there was a point at which that didn't make sense anymore, and there's a point at which in the pearl that's not going to make sense. Because the point here, and I understand there's different angst levels on this subject, but I hope everybody appreciates that my effort, I can -- I would imagine I could say our effort is to make sure schools are funded properly, the county has the resources so we have programs such as i'm being told where we have residential care facilities those folks aren't thrown out in the streets as i'm being told is going to happen now because of budget cuts, and the city has the resources to hire firefighters and police officers. That's our job. And that has to be balanced against these decisions. And that's how I well balance them. And I want to be more thoughtful that I was allowed to be on this. And I respect what the council said and did ten years ago, but on the other hand, I hope you can appreciate I don't want to be obligated by what somebody else said or agreed to for a -- some of which you'll be happy with, which of which you'll have some trouble with. Having said all that, and this thing weighing heavily on my mind, I don't think i'm in a position at this point to counter manned what I heard here today, and I think that out of fairness and out of balance I need to at least alert everybody that these will be questions I will be asking, and especially not on the consent agenda in the future, as I get a little more sea legs around here and am able to get to the heart of some of these questions faster, i'll probably be able to be a little more focused on what my bottom line is going to be. I will acknowledge i'm not there yet. Aye.

**Saltzman:** I appreciate commissioner leonard, the in-depth analysis and the attention you've called to this particular project. And I don't think you're really isolating this project per se, but I think you're raising the question that needs to be asked, and that is in times of duress, we all need to question what our tax abatement policies are, what our financial policies are, and I think at our financial forecast meeting just earlier this week or last week, I think one of the things we all agreed upon was to actually start looking at what are the value of tax dollars we forego. And I think the mayor committed to have the office of the finance bring us a work session on that very topic. Because I do think we need to reexamine these policies as times change. I'm also -- I do harken back to the tremendous success we've had in the pearl district and the river district and realize this has substantially contributed to the tax base of this city, which has helped schools, the county and the city as well. We've had tremendous success there. Thank you for reminding me of the history of the railroad yard and what used to be down there. Sometimes it's easy to forget that in light of its success today. So while I appreciate the questions and I think we need to engage in this type of analysis and further questions of tax abatements and their appropriate role today, I do feel we need

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to let this project go through. It's been in the works and I wouldn't feel comfortable denying the abatement at this point in time. I realize from my exposure to building housing in downtown Portland, which comes both through my own family's involvement and knowing many of these people here who have testified here today, and just listening to commissioner Sten and the mayor talk about housing, it's a very complicated thing to pull together all the funding streams to make projects viable. It baffles me. It loses me. I'm lost usually in the tremendous -- the tax credits, the state funding, all the things that developers try to bring to bear to make a housing project in particular in downtown pencil out. It's quite a bit of work, and the returns don't seem to really warrant a lot of that effort. So we have to appreciate I think some of the groundbreaking nature of people who have tackled areas like hoyt street yards and really made that stunning neighborhoods in the city today. So aye.

**Sten:** Commissioner Leonard, I don't think you need to defend taking a look at this in the least. I think it's correct, and it's -- we should be looking at these issues. There's a fair amount of I think gray area to tax abatements, because they're a very good deal if you give a ten-year tax abatement, and by doing so get an 80 or 90-year product you wouldn't have got otherwise, because if this building is built at 60 units in wood frame, you probably get more taxes over the life of the building than building it -- than forgoing ten years. It's like a different payment, on the other hand it's a very bad deal if we just gave taxes for something we were going to get anyway. So I think that's what makes it tricky, and we should look at it. A lot of our tax abatement programs, including the distressed area, which I spent a lot of time revising last year, it was very controversial, the realtors didn't want to see a change, but it was too generous. When I first got on the council I actually, despite believing completely in the strategy of the river district and support the development agreement -- didn't support the development agreement because I didn't think it was tight enough and it didn't guarantee the performance we wanted. We have gotten the performance we wanted, so I think we do have to look at these and it's a bit of a struggle. I think it's probably pastime to take another look at this and I'm glad the planning commission is. My suspicion is we're going to find that once you get to concrete buildings over a certain story, add a certain density, there probably is wisdom, particularly if it's the only city investment, to putting some money into those buildings to get them a little better than they would be. And I think the overall economic health of the downtown I think as you look into future is largely dependent upon pushing the amount of residential in the central city. And I'm willing to gamble a little bit that maybe for ten years which in the life of the city is a short time, we're giving a little too much to make sure we get the people living downtown. I don't support putting a lot of direct in this case nonsubsidy into middle income housing. I think it's something I've fought against for years, and I think we have to make sure it's a balanced amount of housing. And I do very much recognize the first development on the property was the pearl court, which is probably one of the more aggressive attempts to put a low-income building -- you don't see that very often, where a bunch of developers who are going to do high-end condo and higher end rentals put their first development as a low-income building, and a quality one at that. So I think it is part of a bigger package. Would I support taking a look and making sure, because I -- I want to make sure that we're not oversubsidizing these things. I do think that there's also a little bit of an art between what's a subsidy and an incentive. If you want the downtown to be everything it can be in the future, and I don't say this lightly, I've got a whole career of trying to fight too much money going into the wrong places, I think having some incentives in place to get higher quality housing in place now makes sense, and I'm positive this tax abatement program made perfect sense when it was put in place, and I think it's high time to take a look at and it make sure it has -- I'm very also sensitive that I think this council, and I think we're making the right decision today, when we change things should do it with notice. So we don't -- so people know when they're going in and trying to arrange \$30 million in financing what the deal is. And if

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the incentives are wrong, let's fix them, but let's not do it mid-course on a project. Even if it occasionally is a program I might not completely agree with. I think it's the right decision buddy don't think you should defend the right to look into this, because I think it's the right point you're making. Aye.

**Katz:** This is like deja vu. I think I told commissioner Leonard that when I came out from the legislature, I didn't support property tax exemptions. I disliked them intensely. We -- millions of millions of dollars not only of federal land but private land that is tax exempt. But as you travel through a different journey on the city, and as we have our responsibility to make sure that we build a city that -- that is the best place in America to live and work, that we took -- take a look at all the tools that we have. So I slowly learned the value of some of these tools, and certainly for the development of higher density and additional housing units in the downtown. Because I think what separates us from a lot of other major cities is the fact that we have people living in the downtown. Our transportation system supports the fact that people live in the downtown area. So I have changed my attitude, but I am also very open to taking a look at, have we gone far enough, will this project be built if we don't provide a tax incentive, one of these tools. It's always the question that you need to ask. And so I appreciate these questions being asked today, especially as the commission, the Portland development commission is looking at the length of tax exemptions and the questioning, yes, the state law gives us the authority to provide a ten-year tax exemption, but why ten-year, why not seven, why not five? And the notion of taking a look at the pro forma and seeing if the return on investment increases above a certain level, then that would be something that we would review and require the tax exemption be removed is valid. The planning commission is going to be looking at this same issue again. So this is very timely, certainly timely in light of all the financial problems that all of our jurisdictions are having. Thank you. Aye. [ gavel pounded ] all right. Time certain, 1472.

**Item 1472.**

**Katz:** By saying what's in front of you today is probably one of the more exciting revisions in the bureau of development services. The bureau of development services has five partner bureaus who are responsible for the development review process. Fire, water, transportation, parks, and the bureau of environmental services. And if you recall, blueprint 2000, the recommendation was that they work together and that these bureaus agree on some rules and regulations and time lines. They didn't get to the point that we've gotten today on this particular issue. The whole purpose of this is to prevent the bottlenecks that occur in review, and for delays to occur because one agency put a piece of paper on the bottom of a pile, or had somebody on vacation, or just decided this didn't have the priority that it should have. So it's time that we complete what was recommended to us by people who reviewed this whole process several years ago. In order to be successful in doing everything that this council wants to do to provide timely reviews, certain reviews, guarantees to our customers and to make -- continue, I want to say, continue to make this city a business friendly city, these agreements had to be struck. There's a lot of information in these agreements, and I'm going to stop now and turn it over so that this panel can tell you all of the work that went on and what in fact is going to be happening.

**Sam Adams, Chief of Staff, Mayor's Office:** Thank you, mayor. My name is Sam Adams, and I'm the chief of staff to the mayor of Portland. As you mentioned, this is part of our effort to implement, to move towards our goal of building the best big city permitting process in the United States and to remove barriers to desirable development in the city of Portland. With this interbureau agreement, we're setting a high customer service standard for ourselves, new accountability measures with teeth, and better performance information that will be reported to you on a regular basis and also available to the public. This is very much a team effort involving staff from almost I think each one of your offices were involved with this. I'd like to especially highlight Bonnie

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morris, who really did the heavy lifting as part of this. She's the director of the development services center. She did a fantastic job on this, in addition to margaret, brant williams, don gardner, dean marriott, ed wilson, jim crawford, mort, darren kidnapper, betsy aims, gil kelley, the s.w.a.t. Team, which is interbureau staff team that bonnie works with had a lot of input on this, and finally the auditor's office, who has been auditing the bureau of development services, and the development regulatory process, and made some great contributions. The auditor has agreed to give us some preview highlights of some of the pertinent aspects of the audit that will be coming out after the first of the year that he shared with us that helped shape these agreements.

**Katz:** Okay.

**Gary Blackmer, City Auditor:** Gary blackmer, Portland city auditor. We have put an audit of -- at that point named office of planning development review on our schedule last year.

**Katz:** Get closer to the mike, gary.

**Blackmer:** Okay. We had scheduled an audit of office of planning development review last year, and then when the mayor's office initiated a much broader review, we worked closely with the office to identify those areas where we could focus our expertise and skills best and then work with the mayor's office throughout in terms of what we found. And we applied those skills to analyze the timeliness data that went into the -- from when someone filed for a permit to when the permit was finally approved to determine the performance, and identify if there were any problems there and what the sources of them were. So in the course of this, our analysis identified that for the most part the office of -- now the bureau of development services is coming very close to hitting its goals, which is 90% of the reviews completed within either the 15 or 20-day working day goal, 15 days is what's applied to residential, 20 days for complex residential or commercial. So they are in the range of 75 to 92% of the permits being issued to achieve that goal. The other bureaus also have an important role in reviewing these permit applications. And they're significantly lower. We're seeing them some as low as 25% of them hitting at 15 or 20-day standard, others getting as high as 88% at times, but for the most part, they're in the 50 to 60% range, that only about half of them or a little over are getting done within the 15 or 20-day standard that was set. So this -- what is coming before council today is a direct line with the kind of recommendations that we want to see in -- we're putting in the audit and we'd like to see put forward. My goal for our audits is to get our recommendations implemented and to have organizations working on the recommendations even before the audit's released, and this is one of those cases where I would urge you to move forward with this because it is a key part of timely permit processing.

**Katz:** Thank you. Let's hear the details.

**Adams:** All right. Some key commitments in the inner bureaus requires training and use after single computer tracking system. Vds will install the track system on desk tops of all review staff and supervisors and provide the trainings for -- we found out that although it was accessible to some people in the other -- the bureaus outside bds, not everyone had been trained or was necessarily using it. We need everyone to use it, we need everyone trained on it.

**Katz:** So they didn't know the time of the project, or where the project is in its evolution?

**Adams:** Or they used other methods to keep track, other than the central computer system.

**Margaret Mahoney, Director, Bureau of Development Services:** Actually, all the reviewers have been on the system since its inception. It's some of the supervisors who were not using it. They could have, we didn't reach out to draw them in, we're going to do that.

**Katz:** Okay. Go ahead.

**Adams:** We won't name any names. Bds will establish the position of a process manager for the money back guarantee pilot project. This will help coordinate the three types of permits that by the january will have -- will be providing money back guarantees, and that includes the trade permits, the residential remodels and the commercial remodels. That's the bulk of the city's permitting work

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there. This also actuates the money back guarantee policy for those that thought this just dealt with the bureau development services. They're wrong. This puts everybody on the line. All of you, all of us, everyone has a bureau that will be responsible in part for making sure that we turn the permits around on the stated time lines and bonnie and margaret will talk a little more about that.

**Katz:** Let me understand. If the parks bureau, the forester delays the time that you've identified that you needed the whole process to go through, will he be responsible for the money back guarantee for everybody?

**Adams:** The parks bureau will be responsible for refunding to the customer the entire cost of that permit.

**Katz:** Review phase.

**Adams:** Not the sdc's. By law we can't could that.

**Katz:** But the review.

**Adams:** Correct.

**Katz:** That's an incentive.

**Adams:** Yes, it recognizes we're all in this together, all the bureaus are in this together. Literally now. I also want to talk about, when you're talking -- we're talking about the money back guarantee, I want to thank the great staff work that's been going on at the trade permit section, which is under bonnie's direction. They've done a great job of being the thin edge of the wedge in terms of implementing the money back guarantees. They've been doing a great job and doing a lot of process reengineering to make sure those get turned around on the stated time lines. The other reform is the monthly reports to the s.w.a.t. Team on turnaround times and performance, and those will be available to the council on a quarterly basis. There's also reduced the document time distribution for plan checks, and that will be implemented by january 15th. It clarifies the land use review submission requirements, that will be done by mid-february. And it also gives some time for staff to do the necessary analysis on whether or not they're staffed appropriately to meet the status quo, but also to meet the new requirements as part of this inter -- inner bureau agreements. That joint report will be the submit -- will be submitted to the city council identifying any staffing or budgetary requirements as part of the budget process. The customer service goals here are, and we tried to be as clear as we possibly could as we get into this if we find they're not clear, there will be an opportunity to review and further clarify these. These are initial customer service goals -- that no customer in the development services center will wait more than 15 minutes. And the idea there they get the initial greeting and they get told the estimated time they might have to wait so we're communicating, but no customer, the goal is that no customer will wait more than 15 minutes. Applications for residential alterations will be reviewed the first time within seven working days and rechecked if necessary within three working days. Applications for commercial authorizations will be reviewed the first time within ten working days and rechecked within five working days. Land use applications will receive a written response to their proposal within ten working days of their land use preapplication conference. We've done a fair amount of best practice searching around the country, and we're fairly familiar with a number of places, but we were just recently looking at the city of seattle, where one of their reforms up there is to try to get it down to I think a two-week turnaround time for the initial preapplication. We're telling folks you don't need to wait to get into a preapplication, you don't need to wait two weeks, when you turn in your applications and they're complete, these are the time lines we're going to be using. One of the issues that this came out of the blueprint 2000 was a recommendation to establish a common tracking system for the push works permit, and i'll let you explain about the public works permits. But we're go to do that no later than march 31st. The cross training of the utility plan review staff, if water bureau gets a whole bunch of plans and their staff is -- what their staff is, that the other utility bureaus are trained so they can fill in as needed and vice versa. These are agreements, they'll be monitored on a

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quarterly basis. Bureau managers have agreed to meet on a quarterly basis with the commissioner in charge of the and the bureau managers and the key staff people to check in on everything about this, and like everything else we're doing, continue to involve it and improve it as we go along. You'll notice the planning bureau is not mentioned as an inner bureau agreement. The planning bureau is not directly involved in development review process on most cases, but we are working on an interagency agreement between the bureau of development services and the other bureaus and the bureau of planning and we hope to have that done as quickly after the first of the year as possible. It will be a different kind of interbureau agreement, it will be longer and in more detail. And that's my quick summary. Do you want to highlight a few things?

**Katz:** Go ahead.

**\*\*\*\*\*:** Well, this really does --

**Katz:** Identify yourself.

**Bonnie Morris, Bureau of Development Services:** Bonnie morris, bureau of development services. This really does build on work that we started with blueprint. I think a big step for us is when we moved down to the 1900 building a little over two years ago, and we brought the reviewers from all five bureaus into the same area, and that has really helped to establish some really good working relations. So this is the next step, and really pleased with this. Our s.w.a.t. Team will continue to monitor this, and we've got a lot of work. One of the things we'll be doing after the first of the year is we have never -- none of the bureaus have ever done any really good analysis of how much staffing does it take if we continue to to meet these goals. So we're going to launch into a project that -- of that nature right after the first of the year. I'll use the same methodology and see what we come up with.

**Katz:** Is that what you learned at boeing?

**Morris:** Yes. That was something we learned that we actually had talked about doing that before we went to boeing, but when I came back from boeing, I came back with ideas about how to do that. So that's -- that was one of the many benefits of boeing.

**Adams:** For those of you listening in, the three of you are so, the -- [ laughter ] boeing corporation was nice enough to the city of Portland and we thank them profusely for providing four or five people on the city staff weeks of training in their total quality management approach and their customer service training.

**Katz:** But free.

**\*\*\*\*\*:** Free.

**Morris:** And they were very nice and even got a pen, so, you know.

**Mahoney:** I am margaret mahoney, I think actually gary and sam and bonnie have covered things pretty nicely. I would say that this is clearly our second generation of this, and we've learned a lot in the last few years. So it is much more detailed. It does reflect what the council is asking us to do in this area in terms of improving service. I think there are also a couple of other examples of actions being taken by the bureaus to change some things in advance of getting other information out of the audit. For instance, one of the findings i've seen in the preliminary information from gary's staff is that we're doing quite well in terms of customer expectations about providing information up front at the beginning of the process. One of the areas where all the bureaus are not doing as well is being clear about how you resolve a problem when an applicant gets stuck in it. So you'll see in the agreements that one of the to-do items for all the bureaus is to improve the appeal processes, in a couple of cases they're not existent so they have to be created, but we're moving towards some clear information for all applicants on how the appeal process works for any code item. And also talking about the possibility of some ways to do some of those issues jointly. So you don't have to look at them just one bureau at a time. That's something that really didn't come up



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in detail before, appeals were an issue previously, but now clearly we're seeing a problem and we've already got a to-do item on that in advance of getting the information out of the audit.

**Adams:** The way I describe this on the issue of customer service, this provides us a platform now to really put together a very serious customer service training program for the 340 staff that work in the seven regulatory bureaus of the city, and that's our goal. We've talked to commissioner Leonard about it as well. That's our goal to begin to launch that effort in January.

**Katz:** Questions by the council? All right. Anybody else want to testify?

**Leonard:** I have a comment maybe before they leave. And as I've said a number of times, I am grateful that Sam has undertaken this project, and he's doing an excellent job. In fact, "the Oregonian" this past weekend quoted me, and said that -- attributed to me that I said Sam was a soul mate. And the rest of that sentence was, in this area. So my wife was reading the Sunday Oregonian, we had an interesting conversation about that quote. [ laughter ] for the public record in this effort.

**Adams:** Fair enough.

**Leonard:** So I really -- he's doing great work, and I appreciate it, and he's been keeping me appraised. But I think that it will probably not be fair of me to -- not to express some early on concerns I have. I guess that's the best way to put it. I have not been here long enough to draw any conclusions about anything or anybody, so --

**Katz:** Go ahead.

**Leonard:** But I need to point out a couple of things. These procedural efficiencies have to be done. They're important. They're part of changing the way we do business. The concerns I have relate to a culture. And the exposure that -- the limited exposure, again, that I've had to some of the issues there concern me deeply about attitude and culture within the upper levels of bds. To the extent that I think there might be a basic disagreement as to whether or not there is a perception by the public and the business community whether or not bds is friendly towards them. We might have a fundamental disagreement about that. I think we have a disagreement about what a public process is. And how that should be used. And what kinds of things should be considered as outcomes of public processes. That concerns me deeply. I want to be real clear about that. And we have currently going on much to my dismay, one person from -- I shouldn't say one person, bds actually lobbying the state to adopt one set of standards and codes, and the Portland fire marshal lobbying the state to adopt a completely separate and different standard of codes by which we do things here in Portland. Portland is the only city I'm aware of in the entire state of Oregon that has people that lobby in Salem at opposite ends of the spectrum. I know of no other city in the ten years I was in the legislature where you have people actively with approval from their superiors lobbying in complete opposite end of the spectrum. That concerns me deeply. I'm going to work to resolve those issues, but it doesn't come without a lot of distress on my part, because I'm notwithstanding all of Sam's good work. I think that what I'm talking about transcends procedural changes. I think I'll stop there.

**Katz:** Okay. Thank you. Does anybody else want to testify on this issue? -- testify on this issue?

**\*\*\*\*\*:** Good morning.

**Veronica Bernier:** I'm Veronica. [ no audio ] I would like to speak to another --

**Katz:** Wait. If it's a totally other issue, you need to ask the auditor to come back next -- we won't be here next week, but -- do your three minutes at the beginning. She'll explain that to you. All right. I'll take a motion to adopt the report or accept the report.

**Leonard:** I move to adopt the report.

**Saltzman:** Second.

**Katz:** Roll call.

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**Leonard:** Aye.

**Saltzman:** This is a great report. I guess it's a great report because this reflects a lot of great work here. And coordination that's -- it's certainly been long overdue, and I know the progress has been hard to achieve the cooperation of the many bureaus, but it looks like the mayor's leadership and Sam Adams and soon-to-be commissioner Leonard, we're on a great path to start living timely responses to the development community on the many permits and approvals they need to make this city great. Aye.

**Sten:** I just want to say thank you. It's still work to do, but it's an incredible step forward in a short amount of time, and I know how hard that is to pull off. Aye.

**Katz:** A couple of things. First, a lesson. If we hear anecdotal information for several years, pay attention to them. Because there are some issues that need to come to the service for response and correction. Two, there is a balance between regulatory requirements and customer service. And I hope that where we're moving today is the beginning of that balance between a bureau whose task is regulations, but who also needs to provide customer service in a very timely fashion as well as customer service with respect to people who come into the office and who ask for assistance. I think we're getting there and I want to thank everybody who's worked very hard. Aye. [ gavel pounded ] all right. 1502.

**Item 1502.**

**Katz:** Anybody want to testify? The auditor is sitting in the room here. Oh, you do. Okay. Come on up.

**Yvonne Deckard, Director, Bureau of Human Resources:** Good morning, mayor and commissioners. My name is Yvonne Deckert, the director for the Bureau of Human Resources. Changes to the classification and compensation structure for nonrepresented employees was approved by the City Council on July 1st of 2002. No changes were made to the salary raise for the mayor, commissioners and city auditor. Arguably, the adjustment should have been considered for the city auditor who although elected functions more like a nonelected bureau director of a city bureau when compared to other elected officials. Additionally, the services provided by the office of the city auditor has expanded recently. The auditor supervises more than 65 employees. The at minimum the council should consider moving the salary rate of the city auditor to the same level as city commissioner. The city auditor holds the office but is different than other city elected officials. The city auditor has direct day-to-day responsibility for a functioning office larger than a number of city bureaus. Unlike other elected officials, the city auditor does not make legislative or budgetary decisions of the city. The charter requires the city auditor to possess the same qualifications required for commissioners. In addition, the auditor must be a certified public accountant, certified internal auditor, or a certified management accountant. Unlike other elected officials, the city auditor is prohibited by the charter from running for any other city office during his or her term. Except for holding elected office and having functions specified by the charter, the auditor is similar to other bureau directors. The auditor has day-to-day supervision of an organization which performs several functions and provides services for city government and for citizens. The auditor is generally regarded as one of -- as a bureau for human resources purposes. Unlike staff of the mayor and commissioners, only the auditor's regular -- only one of the auditor's regular employees is exempt from classified service and from miles an hour merit system protection. Presently the office of the city auditor provides the following operational areas. Audit services, city recorder, assessments and liens, fire, police, disability and retirement fund, hearing officers on land use and city code issues, public -- Portland Metropolitan Progress Board, independent police review, and management services, including overseeing the city elections processes. The auditor's office performs a variety of functions and provides a number of services in scope, complexity and variety, comparable to other moderately sized bureaus. The organization of

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the office and the role of the auditor in the organization is similar to other bureaus where the bureau director has a key role via reporting relationship with those managing sections of the organization. I recommend that you adopt this ordinance to adjust the pay rate for the city auditor to equal that of city commissioners.

**Katz:** Questions? Do you want to say anything?

**David Rhys:** No. I'm here to respond to questions.

**Katz:** All right. Anybody else want to testify? If not, roll call.

**Leonard:** I called the auditor recently, called his number, and he answered the phone. I have learned that that's what he does. I didn't have a private line. He has to answer his own phone because of budget cuts, make his own appointments, and lives without the benefit of the luxury that we have of having somebody to do that for us. I vote a hearty yes.

**Saltzman:** Aye.

**Sten:** I think this is -- makes sense and probably overdue. Aye.

**Katz:** Long overdue. If you recall, when we first had the auditor's office, he had half of those duties, and we started turning to the auditor as an office that is neutral that can do some of the work that the public would question if anybody else did the work. And he's done it and it's difficult work, especially the independent police review. And he's done it well, and we don't hear many complaints about the auditor's office. And when you looked at his salary, it should be equivalent to the city commissioners. So I'm very pleased to vote aye. [ gavel pounded ] all right. 1503.

**Item 1503.**

**Katz:** Not only that, but you have the opportunity to meet the new director of the works systems inc. So I hope that we'll -- don't say everything, let him talk a little bit too, tanya. I want the council to hear a little bit about -- from him, and ask him questions. But why don't you go ahead and start.

**Sten:** Let me just say, we put this on consent this. Was something that the mayor and I have been working on to try and help -- we said we would put some dollars into helping the workers get retrained and I thought given all of the things going on, it was worth taking a couple of minutes to share a success story that's actually happened. So thank you, mayor.

**Katz:** And I -- I want to thank you, commissioner Sten, and tanya, for working through those issues, because we did make a commitment to freightliner and based on that commitment they did make a decision to move their canadian operation here. So this is a very important issue.

**Tonya Parker, Director, Bureau of Housing and Community Development:** Good morning, tanya parker, bureau of community housing and development director.

**Bob Vistas, President, Worksystems:** Bob vistas, work systems president.

**Parker:** 18 months ago, when freightliner was looking at various options for relocating and manufacturing plants, the mayor's office, pdc, wsi, and the state of Oregon worked to retain local jobs. At the time pdc asked -- we developed a proposal for \$20 million loan. But the hud loan terms were not attractive to freightliner at the time and they couldn't retain -- they could get better rate internally, and so we weren't able to apply for that loan, but we're here this morning to share good news about a piece of that project and the commitment which is the training contract for the workers. Considering today's slumping economy, it was imperative that we all work to assist freightliner in keeping a health ear work force here in Portland. But not only to work to address the job retention issues, but to train 130 of their current workers that they adequately respond to the new manufacturing operation assembling freightliner's new western star trucks. So before I go a little bit more into the contract, the pieces of the contract, I want to give time for bob to talk about how we got here today.

**Katz:** Okay. How did you get here today?

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**Vistas:** Part of the package of the incentives that was developed included a commitment for funds from the state wsi and the mayor, and the primary focus of the assistance was the retraining of existing workers in order to bring freightliner's western star brand down to the Portland area from british columbia. The state has already contracted with freightliner, but limitations around the use of wsi funds pose specific problems for us. Wsi and pdc staff made multiple inquiries to many of our funding partners to look at what potential there would be to shift funds from various programs. Bhcd and wsi were at that point in the early stages of a contract for certified nursing assistant training, and that was using city general funds. Bhcd responded to wsi inquiry and suggested that we look at the possibility of using wsi funds to cover the cost of training, since our funds were more restrictive and then taking the general funds that bhcd had set aside for the nursing training and using those funds for freightliner. And so it was interagency cooperation that really has brought us here today, and freed up the funding for us to be able to move forward with part of the overall funding package for freightliner.

**Parker:** So what we have remaining on that contract is the amount that you see on the agenda today, the 199,000 and change. The goal under that contract we had with wsi was to train about 60 low-income citizens to become certified nursing assistants. And one of the pieces that was imperative for me is that we continue to do that, and wsi was great in making sure that that still happened. So there's been great progress that i've now learned in that program, and that's still happening. But again, the training was key for the western star piece because it used different manufacturing in a similar process than a normal freightliner truck in part because of the steel construction. Almost twice the man-hours were needed for manufacturing, and so now as part of this current contract you have before you, freightliner will report to bhcd on things such as workers length of time in their training, pay rate during the training and improved production outcomes. So basically I think it took a lot of time, it took a lot of effort, it was a complex, there were a lot of e-mails and phone calls that flew back and forth, but from what I hear now, this is -- this was well worth it.

**Katz:** Bob, do you want to talk a little bit about the future and fulfilling all the commitment on that?

**Vistas:** What we're trying to do right now is work with the state in a variety of other funding sources to reallocate dislocated worker funds that have come in through the state through initial emergency grant from the department of labor and other sources. At present there's approximately \$1.1 million in funds that are sitting at the state level that they're looking at deobligating from existing projects in other parts of the state. And we're working with them on almost a daily basis to bring as much of that to Portland as we can.

**Katz:** Okay. Thank you. Further questions? Anybody else want to testify? Roll call.

**Leonard:** Aye.

**Saltzman:** Great work. Aye.

**Sten:** We've had to redeploy some resources, and I think as we're looking at the recession and particularly the poverty work and community building work that bhcd work, you can't take a step forward if you lose one much your best blue collar employers in the city. So I think was really a good use of the funds, and part of I think working with the limited funds we have on work force and poverty and all these issues is trying to figure out where can you have the most impact, and I think that had we not stepped in and tried to work with freight line tore get the retraining in place, would it have cost us a lot more. Aside from it's a nice things to have done and nice to retain these jobs. So good work. Aye.

**Katz:** Absolutely good work. The work's not completed. We still -- we've made a commitment over two years and we need to meet that commitment. But this is a first or a second step. We've made a couple of them. But it was important to do, and it was important to make sure that the

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money is delivered to freightliner. Aye. [ gavel pounded ] all right, everybody. Due to a lack of --

**Moore:** We're meeting next thursday at 2:00.

**Katz:** We are not meeting tonight.

**Moore:** Right.

**Katz:** Okay. So the council will not meet on wednesday because it is a holiday. It's christmas.

And we'll meet at 2 o'clock next thursday. We stand adjourned. [ gavel pounded ]

At 11:20 a.m., Council adjourned.